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Stronger together: how trade associations multiply benefits for forest sector micro, small and medium enterprises

The experience of the
FAO-EU FLEGT Programme

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Food and Agriculture Organization of the United Nations
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INTRODUCTION

A wide body of experience within and beyond the forest sector recognizes the power of associations in bringing together small-scale actors, especially forest sector micro, small and medium enterprises (MSMEs) (Macqueen *et al.*, 2006). Associations offer increased economies of scale in purchasing, producing and providing greater bargaining power. For this reason, support to forest sector associations has been at the heart of the engagement of the FAO-EU Forest Law Enforcement, Governance and Trade (FLEGT) Programme (hereafter the Programme) with the private sector, acknowledging that achieving legality in the forest sector of tropical timber-producing countries is not possible without effective and meaningful collaboration with the private sector.

Across Asia, Africa and Latin America, the Programme has worked with different types of associations. These include:

- **apex-level organizations:** cross-sectoral industry associations or federations that operate at national scale to advance a common set of industry interests;
- **unions and federations:** entities that group together multiple associations whose membership may consist only of forest sector MSMEs or enterprises of multiple sizes;
- **national and regional private sector associations:** groups of companies that represent industries of different sizes within the forest sector, including those representing forest sector MSMEs;
- **local associations:** associations formed at lower levels of political jurisdictions, such as provinces or regions, usually which solely represent forest sector MSMEs; and
- **cooperatives:** groupings of timber producers and/or processors that have a business mandate to purchase or sell products jointly and share revenues among members.

Working with associations is critical given the vastness of the forest sector where outreach to individual forest businesses is not a feasible approach to achieve impact at a meaningful scale. In contrast, associations can group together resources to address collective needs and gain access to information and markets.

However, associations do more than achieve strength in numbers. The act of strengthening associations yields "multi-directional benefits," meaning that strengthening an association in one area can generate a multitude of additional benefits, such as increased membership, network building, greater credibility and better representation. Stronger associations are able to bring more benefits and services to their members. This in turns attracts more members and funding, which further solidifies them so the cycle of benefits and strengthening can continue.

This brief draws from the experiences of projects supported by the Programme and examines the impacts of its work with associations to answer the question: How does strengthening associations support forest sector MSMEs to produce legal and sustainable timber products?

METHODOLOGY

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Between 2016 and 2021, the Programme supported 73 projects that were implemented by associations, enabling these actors to take leading roles in enacting solutions for improving forest governance, law enforcement and the trade of legal timber. The Programme also supported 35 projects that included components dedicated to strengthening or forming associations. In total, the support provided through the Programme strengthened 141 associations representing 9 864 enterprises, and formalized 44 associations representing 1 500 enterprises. These enterprises included companies of different sizes, ranging from individual chainsaw millers to household businesses, to large-scale companies.

As part of a global Programme-wide process to capitalize on experiences, staff members conducted interviews with local partners and, where possible, end beneficiaries of the projects. The impacts of these projects were analysed to 1) determine how strengthening associations helps forest sector MSMEs increase legal and sustainable production, and 2) to identify best practices for supporting associations in order to deliver benefits to MSMEs.

The findings are backed up by the "Association Surveys for Knowledg" (ASK)[1] conducted by the Global Timber Forum (GTF) in 2019, which collected data from 114 associations in 40 countries, representing 52 600 businesses.

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[1] All regional and national Association Surveys for Knowledge reports are available at: https://www.gtf-info.com/programme/association-surveys-for-knowledge/

Findings

Interviews identified the following nine ways in which associations provide benefits for MSMEs. These benefits complement existing practitioner knowledge in the support of associations.

Benefits provided by associations	Example
1. Associations unite MSMEs for increased economies of scale in processing and marketing, and provide greater bargaining power.	**Myanmar:** The only source of legal timber is through government-run auctions, where access and prices are too high for MSMEs. Associations get preferential treatment for receiving timber quotas or accessing timber in auctions.
2. Associations provide technical assistance for MSMEs and other actors in formalizing or pursuing legal compliance.	**Honduras:** The Honduran Federation of Agroforestry Cooperatives (FEHCAFOR) has 96 member cooperatives which it helps to formalize so that they can meet the legal prerequisite for accessing forest resources.
3. Associations make capacity-building and training opportunities available to their members.	**Indonesia:** The Indonesian Furniture Industry & Handicraft Association (ASMINDO) offers its members training on making better products, as well as developing technical skills, such as training on finishing, construction and operating machinery.
4. Associations provide important information to members, such as market intelligence and updates to regulatory frameworks.	**Guatemala:** The Guatemala Exporters Association (AGEXPORT) functions as an information facilitator, providing information on legal procedures to ensure that its members do not make mistakes that would inadvertently render their operations illegal.
5. Associations help members to access customers, suppliers and markets requesting legal products.	**Viet Nam:** The Handicraft and Wood Industry Association of Ho Chi Minh City (HAWA) has developed an online Due Diligence System that helps its members fulfil due diligence requirements from buyers and maintain their market access in the EU and United States of America.
6. Associations represent members at round tables and dialogues to ensure that the private sector is actively involved in relevant decision-making processes.	**Cameroon:** The Cameroon Timber Industry Association (GFBC) facilitated MSME inputs into the revision of legality grids; 75 percent of the MSME proposals were accepted. One of these inputs led to the development of a new grid that covers the artisanal secondary and tertiary processing of wood , providing MSMEs with a legal pathway to access timber.
7. Associations act as an intermediary between companies and government, allowing continuing dialogue with both sides.	**Liberia:** The Forest Development Authority relies on the existence of the Liberia Chainsaw and Timber Dealers Union (LICSATDUN) to serve as a liaison between the government and the country's chainsaw millers.
8. Associations offer conflict mediation and organizational defence, i.e. legal protection of members and defending the rights of members when injured at work.	**Mozambique:** The new provincial associations formed by the Mozambican Association of Timber Operators (AMOMA) support their members in the legal resolution of conflicts. In one case, members were defended after being wrongfully prosecuted for possession of illegally logged timber.
9. Associations assist in the development and uptake of technological tools and new practices that facilitate legal compliance and/or market access	**Colombia:** The focus on working with secondary (new) wood species created an opportunity for the Network of Musical Instrument Makers of Santander (RED FAISAN) members to re-think musical instrument design and innovate to create more functional and attractive products.

ENABLING ASSOCIATIONS TO FULFIL THEIR POTENTIAL: WHAT SUPPORT IS NEEDED?

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Associations can only provide the benefits described above where they have the technical and financial resources, as well as the institutional infrastructure, to operate effectively. When external support is available, it can make a significant difference to their ability to provide support to members in the long term. This is especially the case for associations that represent forest sector MSMEs, as these operators are the least financially capable of contributing with membership dues or paying for training services.

Partners cited the following areas where support is needed:

- exploration of financing and financial sustainability models;
- internal technical expertise to provide professional training opportunities for members;
- conflict mediation and negotiation skills;
- development of internal institutional policies and practices, including financial management; and
- member communication and management.

Exploration of financing and financial sustainability models: According to GTF's ASK survey, 90 percent of responding associations receive funding through membership dues. Few associations receive government support, often to maintain neutrality and avoid conflicts of interest. However, many associations, particularly those representing forest sector MSMEs, lack the ability to collect the dues from their members. The lack of revenue through membership fees subsequently reduces the capacity of associations to provide services, making them less attractive to potential members and creating a vicious circle. In many cases, forest sector MSMEs have expressed willingness to pay for services, therefore, this represents a missed opportunity by the associations to improve their own capacity. In addition, a high number of associations appear to have been formed without identifying sustainable financing options. Associations need to develop business plans with realistic mechanisms for revenue generation through membership dues, the provision of services-for-fees (such as capacity building) or the sale of commercial products. In Mozambique, for instance, the Mozambican Federation of Timber Operators (FEDEMOMA) is considering introducing membership dues and the sale of charcoal to bolster funding secured from donor organizations.

Internal technical expertise to provide professional training opportunities for members: Associations aim to provide services to their members, such as professional training opportunities, and financial and marketing assistance. In addition to sourcing material legally, services to help forest sector MSMEs in value-adding processing and improving product quality are particularly in demand. This type of service motivates MSMEs to join associations in the first place. The Programme's experience in Liberia and Honduras has shown that project-based support to associations can help put in place the internal capacity and expertise they need to better provide services in the long term. Thanks to such support, the Jepara Small-Scale Furniture Producers Association(APKJ), in Indonesia, is now able to manage funds and has the confidence and skills to seek future donor support as well as carry out scientifically sound assessments or surveys of members.

Conflict mediation and negotiation skills: Training members in skills to effectively resolve conflicts and negotiate fair compensation for their work is important for both relationships between association

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members and with external stakeholders. Partners in Latin America have observed that association members would benefit from training in dialogue, negotiations and conflict mediation so that they have the skills to resolve challenges, often related to pricing and payments. These skills are also necessary within association leadership to ensure associations have the internal capacity to mediate conflicts amongst their members, particularly when they include a number of different industries.

Development of internal institutional policies and inclusive practices: The support provided through the Programme has highlighted the need for associations to develop institutional policies, strategic plans and internal procedures, which enable efficient and transparent management of funds and effective operations. These documents are often a prerequisite for an association to receive official recognition. In the Central African Republic, two new associations formed by the Centre for Development Research and Support (CRAD) were only able to begin collaboration with the Ministry of Forests after these documents were developed and the associations were formalized. Having these documents also instils confidence in members and resource partners that the association will be managed efficiently and fairly. The incorporation of gender equality principles in such institutional policies is critical to ensuring that female operators are not marginalized, and helps overcome the male-dominated leadership often found in associations.

Gender: An entry point for association strengthening

Many forest sector associations face difficulties overcoming gender imbalances; both membership and leadership in associations are often male dominated, impeding their ability to represent the diversity of national forest sectors (NEPcon., 2018). At the same time, many countries host women's associations at the local levels working in wood and non-wood forest production. These women's associations remain an untapped resource for engaging local forest sector MSMEs, and can be strengthened as effective partners in MSME support work.

In Viet Nam, the Viet Nam Timber and Forest Product Association (VIFORES) engaged with wood villages through women's associations, which were able to facilitate connections with local households. They reported that the women's associations were more receptive than local authorities, and that they provided invaluable assistance in identifying participants to receive training on household business registration. This enabled VIFORES to successfully conduct its initial survey of households and lead training sessions that included involvement of women-led businesses.

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Member communication and management: Many leading associations attribute their strength to well-developed communication channels that enable them to serve as an information conduit between their members and government. In contrast, associations with poor communication channels struggle to implement activities. For example, in Thailand, the Private Forest Plantation Cooperative (PFPC) lacked detailed information about which members were still active tree growers, making it difficult to identify workshop and pilot-testing participants. For associations representing forest sector MSMEs in remote areas, this challenge is difficult to overcome, as lack of connectivity prevents the development of effective communication channels. In these cases, the support provided through the Programme has been helpful for improving the mobility of associations, enabling them to reach their members. In Liberia, LICSATDUN and the National Charcoal Union of Liberia (NACUL) were able to conduct in-person outreach and radio broadcasts that led to the formalization of five new associations.

While the Programme has observed that member communication is an important success factor for associations, several partners still do not prioritize this area of work. Only 18 percent of associations who attended a regional Africa summit identified membership development as a need. Future support to associations must emphasize the need to develop and maintain communication channels, provide necessary resources and infrastructure to enable in-person visitations and develop internal systems for tracking information on members, such as the number of employees or annual sales of members. Without this information, an association cannot effectively communicate the importance of the sector it represents to the government, and will consequently struggle to have any influence on government policy.

DISCUSSION AND LESSONS LEARNED

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In looking at the core question, "How does strengthening associations support forest sector MSMEs to produce legal and sustainable timber products?", the Programme's experience affirms that strengthening associations creates a virtuous cycle in which stronger institutions are able to provide more services and stronger representation to their members. However, different types of associations need different strengthening strategies.

To this end, the lessons learned have been generated through the Programme's support in four types of critical interventions:

(1) forming new associations;

(2) strengthening existing associations with weak capacity;

(3) forming federations; and

(4) enabling apex-level and lead national associations and federations to provide more services to members.

These interventions have yielded the following lessons:

(1) When forming new associations, a key indicator of success is prior organization

Micro, small and medium enterprises often form associations or cooperatives because they understand the need to group together, and the benefits gained from doing so. This can occur when facing a common challenge; in Côte d'Ivoire, the GAMBY association was formed when the construction of a new bridge in Abidjan resulted in the eviction of the association's members from their land – an obstacle that required collective action to pool the resources for members to purchase new land. As one partner in the Central

African Republic noted, "as an individual it is impossible to win a fight but in associations they are stronger. Individually it is impossible to mobilize resources from the state or partners, but as a group they have basic documents to be able to respond to calls for tenders."

- Prior organization can indicate that the association will sustain itself in the long term. When MSMEs have already been informally collaborating and supporting each other, and there is motivation to continue working together, forming associations provides a framework to institutionalize their work.
- When associations are formed with the help of external entities, support should be based on the members' vision and guiding them to determine the objectives of the association. This provides a solid foundation for strong ownership.
- Local associations are powerful. In Indonesia, associations often have chapters in provinces, which enables them to reach MSMEs at a more local level. These chapters are then able to form federations (as outlined in point 3 below).
- Cooperatives can provide an alternative model of organization, as their main function is to achieve economic self-reliance through the operation of a profitable, jointly owned business (Hoffman and Prichard, 2019). The cooperative model is especially appropriate when MSMEs are seeking to make joint purchases or form business relationships with lead companies.

Guatemala

The local civil society organization (CSO), Asociación Balam, facilitated the creation of a cooperative of 32 carpenters in the south of Petén enabling them to jointly purchase, transform and trade in legal wood. This group of carpenters had previously worked together as an association, and after looking at different business models they decided to train with the National Institute of Cooperatives and officially register as Cooperativa Bosque y Vida. With this legal status, they were able to negotiate the joint purchase of legal wood from the Carmelita Cooperative. As a result, other groups of carpenters and smallholder wood producers have expressed interest in also forming cooperatives to increase their own options for market access.

(2) When association capacity is weak associations benefit from the support of external organizations

Efforts to strengthen weaker associations require considerable effort and resources, yet there are few organizations that provide this critical support. One of the Programme's unique advantages has been its ability to fill this gap. Although the short-term grant cycle makes it difficult to transform these associations into leading institutions, it is possible to grow their capacities significantly. Two key objectives of external support were found to lead to successful intervention:

- **Targeted skills building:** In Honduras, the Association of Small Forest Owners and Producers of Eastern Honduras was supported by the CSO Fundación Democracía sin Fronteras to build skills in dialogue, negotiations and conflict mediation. This support empowered producers to resolve their own conflicts with intermediaries or contractors and strengthened their position in business negotiations.
- **Supporting association ownership:** This is achieved by targeting areas that are identified by the association, and working with strategic delivery partners that have already established respected relationships with the associations. By allowing the beneficiary associations to retain ownership, the external support does not hamper their autonomy or ability to make their own decisions.

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Indonesia

APKJ was formed through a project supported by the Center for International Forestry Research (CIFOR). In 2019, APKJ then received a grant from the Programme to build the capacity of small- and medium-scale furniture enterprises to access global markets. Although APKJ continued to rely on CIFOR for technical support, by the end of the project they were able to independently produce technical and financial reports and provide technical support to their members to achieve certification against the Indonesian Timber Legality Assurance System (SVLK).

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(3) The formation of federations can be strategic as they often operate at a higher level of political influence compared to national associations

While associations provide tangible benefits and services to members, federations represent more powerful support structures with broader networks of partners, members and stronger representational mandates to represent their members in national discussions.

- Federations can provide forest sector MSMEs with "a seat at the table" in national political dialogues they would have been excluded from otherwise. This is one reason why the non-profit organization AVSI-CI in Côte d'Ivoire is working to integrate associations into an existing MSME federation, which has not been very active since its creation in 2019, in hopes that the federation will enable MSMEs' voices to be considered more seriously in the sectoral dialogue. Indeed, forest sector MSMEs are still not represented within the country's Voluntary Partnership Agreement technical committee, where the only private sector representative belongs to the large industrial sector. In Mozambique, FEDEMOMA was explicitly established to improve private sector representation at the national level. FEDEMOMA is now working to advance a 20-point policy agenda to improve the enabling environment for the private sector to operate legally and sustainably.

- Within federations, care must be taken to listen to the needs of MSMEs. Where federations group together MSMEs and industrial companies, it can be difficult to reconcile their different objectives. In Cameroon, the interprofession of forest sector representatives has faced this challenge in giving adequate space for artisans to voice their concerns.

- Existing representative structures need to be considered when forming new federations. Often, they are created through merging existing associations or federations. Without attention to existing structures, these mergers can create their own complications as different "factions" of stakeholders can emerge, leading to internal instability as actors compete for better representation in the federations' overall mandate (Macqueen *et al.*, 2006).

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Ghana

Consultations with industry members in Ghana in 2017 kickstarted a process towards the creation of the Federation of Industries Associations in Ghana (FIAG). This timber industry-wide association is intended to serve as a unified body to champion the course towards the sustainable development of forest industries in Ghana, and holds powerful potential given the wide range of industry represented. The mission of the federation is to promote and protect the business interests of its members and forest industries at large through:

- public policy advocacy;
- creation of trade and industrial opportunities;
- provision of business development services; and
- observance of the highest standards of business ethics.

FIAG is still currently seeking external support for its operations while it undertakes visibility activities, such as mobilizing mass media attention around issues of sustainability. While it benefits from strong industry commitment, the experience in getting FIAG started illustrates that significant financial and political support is necessary during the formation stage, until a system for self-financing is established.

(4) Benefits are multiplied when apex-level and lead national associations and federations are supported to increase the range of services provided to forest sector MSMEs

Strong associations and federations also influence the uptake of best practices across the sector. The leadership example they set, combined with global market trends, increases a sense of partnership which can motivate weaker companies to comply with legal requirements.

For apex-level organizations and lead national associations to fulfil this leadership role, associations and federations need to demonstrate capacity to support a range of member needs. This can be done through the provision of services including capacity building, disseminating information, advocating for legal reform, facilitating market linkages and business opportunities for members and developing specific tools to aid member legal compliance.

- Increasing the number of services increases the legitimacy and credibility of the association. As one local partner noted, "it is important that the list of benefits be long, because everyone will have different needs." This type of support strengthens the association's reputation and builds members' trust that they will benefit from other services, such as capacity building.
- Although they may already be in financially stronger positions than other types of associations, given their influential positions, influxes of donor funding can enable these organizations to launch new initiatives that create momentum not only within the private sector, but with the general public. These initiatives include the development of national-level digital tools and innovations that are able to integrate their members into a modernized global economy.

Viet Nam

HAWA hosts 348 members, including 175 wood processors and 15 wood traders, which together represent 60 percent of Viet Nam's total export turnover. Approximately 50 percent of HAWA members are small and medium enterprises (SMEs) in the field of wood processing and furniture manufacturing. Since its establishment in 1990, HAWA has functioned as a platform where wood processing enterprises can get updates on laws and market requirements. HAWA links its members with markets, typically through annual international trade fairs. HAWA is increasingly developing digital tools to help its members, such as the HAWA Due Diligence System and the HAWA Online Platform for Exhibition (HOPE). Through HOPE, members are able to showcase their products in 360-degree virtual exhibition rooms, gaining international audience during a period in which the COVID-19 pandemic prevented hosting in-person exhibitions.

RECOMMENDATIONS AND WAY FORWARD

Across regions, a number of associations are recognizing the need to reinvent themselves, seeing legality and sustainability as "the future of business." These actors often credit external support with providing the resources and legitimacy needed to revitalize themselves and steer their members towards a new way of operating that reflects broader global principles of green growth and sustainability.

External investment in associations is best provided when it can catalyse new initiatives, such as building networks of associations, providing new services or reaching a new membership base. These key strengthening actions allow associations to provide "multi-directional benefits" in addition to legality compliance, and build institutional capacity for long-term sustainability. External technical and financial support can be critical for associations to establish their role in line with these ambitions and develop long-term revenue-generating strategies. This is particularly needed by associations that have been newly created to fill a gap in MSME representation and which have demonstrated commitment from members. The remote location of forest resources often makes forest sector MSMEs very hard to reach. This is where local associations offer enormous added-value in connecting these remote enterprises with larger markets and national policy dialogues. These remote MSMEs are also amongst the most essential to reach, given their direct contribution to avoiding deforestation through adopting legal and sustainable forest management practices.

External support can come through partnerships with national technical and financial organizations, in addition to resource partners, with the ultimate aim of enabling associations to generate adequate revenue. The recommendations made here are directed at potential external support providers:

Support to different association types:

- **Form new associations where there are "vacuums" of representation:** This is best done at the local level, when there is evidence that forest sector MSMEs are already informally collaborating with each other and share a clear sense of purpose. In these instances, an association can provide MSMEs with a framework to institutionalize their work. If associations are formed when these conditions are absent, there is a greater risk that they will become inactive once external support ends.

- **Emphasize support to lower capacity associations:** Even though lower capacity associations require significantly more investment in terms of resources and technical support, they often represent hard-to-reach constituencies and can serve as vital conduits of information and support that can contribute to poverty alleviation and improved livelihoods. The experience gained through the Programme has found that supporting these associations yields important capacity gains, leaving them better placed to ensure their institutional sustainability in the long term.

- **Pursue legal reform or clarification to aid the association formalization process:** In some countries, the process to reform an association or cooperative is not clear and can require external technical support – such as that provided by the Cameroonian Federation of Wood Processing Associations and Professionals (FECAPROBOIS) to formalize the cooperative COOP-CA EXTRABOICAM, which has since enabled MSMEs to collectively buy legal timber several times from industrial companies and community forests.

- **Encourage association-to-association learning efforts and exchanges:** Several Programme partners were able to engage in cross-country learning with other associations, which demonstrated a strong appetite for mutual learning. A group of MSMEs from Côte d'Ivoire visited FIAG in Ghana, and learnt lessons that will build their capacity to consolidate an MSME federation. A regional summit organized in Africa in 2018 called for the development of a "mentoring network" to foster association-to-association learning. This "mentoring network" remains a useful idea for follow-up.

Continued capacity building for associations can focus on:

- **Member communications:** Specific technical assistance is needed to work with associations to develop member databases that can collate specific facts and figures, such as number of employees, annual sales and annual production, which are critical for the provision of services and for representing member interests to government.

- **Financial sustainability:** A detailed assessment of successful financial models and case studies can be compiled into an expanded training module on association finance, or be used to train organizations providing technical support to associations. It is critical to prioritize financial sustainability within broader institutional strengthening efforts.

- **Effective capacity-building methods for members:** Associations often need to develop training facilitation skills before they can provide effective training to members, such as designing practice sessions, role plays, field visits and long-term mentoring programmes. The latter is particularly important to provide routine follow-up to training beneficiaries.

- **Help forest sector associations build networks of support through long-term programmes specifically addressing the needs of small producers, which link to:**

  - Other sector-support programmes with business training and access to finance: A broad practitioner community provides support to associations beyond the forest sector. Linkages can be created with programmes working in the agricultural and other sectors that also host vibrant ecosystems of associations representing small-scale producers and forest sector MSMEs.
  - Existing training frameworks and institutions: Examples of existing training include the Association Training Framework developed by GTF, which includes modules on financial management, establishment of association structures, strategic planning, provision of regulatory and market information, and other key topics. In Africa, the International

Tropical Timber Technical Association (ATIBT) is also offering training to develop the capacity of its industry members. These frameworks can be further updated or referenced in the creation of new training materials specific for forest sector MSMEs, adapted to national contexts and translated to regional languages.

Lastly, it cannot be discounted that the act of joining an association can reinvent an operator's idea of their own self-worth, value and vision for the future. Many MSMEs struggle to embrace the idea of legality or formalization because they cannot see themselves and their businesses contributing to the realization of global development goals. Membership in associations provides a sense of purpose that can "can lift them up" in terms of how they run their business, in seeing that a successful business can contribute to poverty alleviation while also supporting sustainability, and that participating in legal and sustainable wood production can secure livelihoods and contribute to addressing deforestation. If forest sector MSMEs are to become a part of the vision to "build back better" after the COVID-19 pandemic, then the creation and strengthening of associations is an effective way to integrate them into this new vision, and harness their potential to move past traditional business-as-usual modes of operation towards green growth and a more inclusive economy.

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